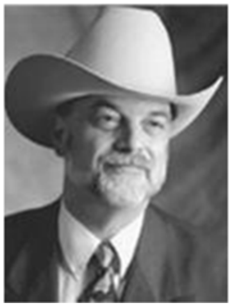

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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September 21, 2015

Greetings from The Personal Wealth Coach®

First, Jake and I plan to be live and in living color on the radio this Saturday, so once again get out your drool bibs as we discuss the dismal science of economics! Second, welcome to what is officially the first day of fall. Of course, it is still hot and neither the weather or the traders have gotten the word that cooler temperatures are on the way. I am going to very fallibly predict that both the weather and the markets will become more pleasant sometime in October.

Since I promised in my short missive on Friday to write you again today, I am doing so. In fact, there is not much to report. The S&P 500 Stock Average is about where it was on Friday, albeit up a whopping 0.46%, despite a tweet by Democratic nomination candidate Hillary Clinton that some prescription drug prices were unreasonably high and if elected president, she would look into that. When a tweet by one of several potential nominees for one party's candidate moves the markets, it is a pretty good sign that either that candidate is a shoo-in for president, or there is not much else going on.

More significantly, the S&P 500 closed today 2.65% lower than it did a year ago. That lower price reflects the reality that estimated quarterly earnings for this quarter are exactly the same as they were for the same quarter last year. Non-growth is not a particularly stimulating market influence. The good news is that the consensus of both analysts and the companies themselves is for the collective earnings of the companies that make up the S&P 500 to be 21% higher by the end of 2016. In short we are indeed going through a "soft spot" in corporate earnings growth.

So, why the non-growth in earnings? One of the reasons, according to an article in the Wall Street Journal, is that more than half a million Mexican-born workers have left the country and not returned. Most of those workers were in the construction industry, and as a result, there are fewer homes and buildings being built. Real estate construction is a big part of the economy, and when that part slows down, so does the rest of it. A second reason appears to be found in Congress. The failure of the House of Representatives to renew the charter of the Export/Import Bank has stalled some relatively large deals for Boeing and other large manufacturers. Several have announced they will be moving their manufacturing centers to other nations in light of the non-support they are receiving here.

Looking at the other side of things, retail sales (which constitute about 70% of our economy) were up 3.7% from last year. I also suspect that as the third quarter draws to a close and the economic numbers come in, the pundits will be in for a shock. Everything I see suggests that the U.S. GDP will grow in the third quarter about as much as it did in the second: about 3% on an annualized basis. Hiring continues to grow. Joblessness is down.

In the middle of all of this inflation is non-existent. In fact, the Consumer Price Index (CPI) *deflated* 0.2% from one year ago. Not only is there no real inflation, there is some *deflation* in the air.

Rather than trying to guess the future, one method I use to measure how consumers are feeling is restaurant sales growth. When consumers (70% of the economy) are feeling flush, they go out to eat more often and spend more money. Restaurant revenues are up 8.2% over this time last year!

What does all this mean? In a nutshell, presuming we get past the drive by the conservatives in the House of Representatives to shut down the government, and the Fed finally does kick interest rates up a quarter of a percent with a statement of what they plan to do in the future, corporations will start investing again, earnings will rise, unemployment will fall, and wages will start to rise. 2016 is looking more and more like a good year.

Again, it is good to remember that market and economic collapses do not come as a result of great pessimism, but rather as a result of great and unreasonable optimism and enthusiasm, or as Dr. Greenspan so famously put it, "irrational exuberance." It is hard to remember that in times like these, but general gloom and doom marks low markets, and what follows is growth.

Sincerely yours,

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